

HOW AN EMPLOYER'S UNEMPLOYMENT ACCOUNT IS CHARGED

The “bottom line” question for any employer when dealing with the subject of unemployment insurance is -- how much is the unemployment tax going to cost my company. Some governmental entities and nonprofit organizations reimburse the Unemployment Insurance Agency, dollar-for-dollar, for the benefits paid to their former workers. But most employers are known as “contributing employers,” and the tax amount a contributing employer pays is based on their yearly unemployment tax rate, which can range from a high of 10.3% (plus the obligation assessment of 1.28% applicable to that rate) to a low of 0.06% (plus the obligation assessment of 0.45% applicable to that rate).

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

- Charges to the Account of the “Separating Employer”
- Charges to the Account of each “Base Period Employer”

For deciding how much an employer's account will be charged for benefits paid, the law distinguishes two kinds of employers: The “Separating (or “Last,” or “Most Recent”) Employer on the claim, and the “Base Period Employer(s)” on the claim.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

The “Separating Employer” is the most recent employer the claimant worked for, before filing a new claim for unemployment benefits.

The most recent employer that a claimant worked for before filing a new claim for unemployment benefits is known as the “Separating” employer. A separating employer is charged a little differently from the rest of the employers the claimant worked for. I'll explain that soon.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

A “Base Period Employer” is an employer the claimant worked for during the “Base Period” of the claim.

In addition to charging the claimant's separating employer for some of their unemployment benefits, each employer that the claimant worked for during the “base period” of the claim is also potentially chargeable for a share of the claimant's unemployment benefits.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

The “Base Period” of the claim is usually the first 4, of the last 5, completed calendar quarters:

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HOW AN EMPLOYER'S ACCOUNT IS CHARGED

The “Base Period” of the claim is usually the first 4, of the last 5, completed calendar quarters:

1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Lag Quarter	Filing Quarter
Employer A	Employer B	Employer B and C	Employer C and D		

Now let's say that the claimant had 4 employers in the base period of his or claim. In the first quarter of the base period , this claimant worked for Employer A. In the second quarter, the claimant worked for Employer B. In the third quarter, he or she worked more for Employer B, and also began work for Employer C. In the fourth quarter, the claimant continued working for Employer C, and also began working for Employer D.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

The "Filing Quarter" of the claim is the calendar quarter in which the new claim is filed. The "Separating Employer" is usually the last employer the claimant worked for in the Filing Quarter

1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Lag Quarter	Filing Quarter
					Employer D

In the filing quarter when the claimant filed a new claim for benefits, he or she was still working for Employer D, and the claimant filed the new claim after being laid off from Employer D.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

If the Separating Employer paid the claimant wages of at least \$2,072, then the account of the Separating Employer is charged 100% of the first two weeks of benefit payments.

1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Lag Quarter	Filing Quarter
					Employer D 100% of first two weeks

In this example, let's say the claimant did earn at least \$2,072 with Employer D. In that case, 100% of the first two weeks of benefits are chargeable to the account of the "Separating Employer." The employer community wanted a substantial charge for that employer because that employer would have information about why the claim perhaps should not start to be paid. If payments never begin, then all employers in the base period benefit as well. So the substantial initial charge to the "Separating Employer" was intended to encourage that employer to respond to the Agency's request for separation information.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

After the first two weeks of benefits, each base period employer is charged its pro rata percentage of benefits for each of the remaining weeks of benefit payments.

1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Lag Quarter	Filing Quarter
Employer A	Employer B	Employer B and C	Employer C and D		

So Employers A, B, C, and D are each chargeable a portion of unemployment benefits payable to the claimant beginning with the third payable week of the claim. How is each employer's chargeable portion calculated.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

After the first two weeks of benefits, each base period employer is charged its pro rata percentage of benefits for each of the remaining weeks of benefit payments.

1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Lag Quarter	Filing Quarter
Employer A	Employer B	Employer B and C B = \$440 C = \$2,500	Employer C and D C = \$750 D = \$1,300		Employer D
\$1,500	\$755				\$950

Employer D was also still employing the claimant when the claimant became unemployed and filed a claim in the filing quarter.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

Total wages paid in base period = \$1,500
 755
 440
 2,500
 750
 1,300

1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Lag Quarter	Filing Quarter
Employer A	Employer B	Employer B and C B = \$440 C = \$2,500	Employer C and D C = \$750 D = \$1,300		Employer D
\$1,500	\$755				\$950

Adding together all wages paid to the claimant by all employers during the 4 quarters of the base period

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

Total wages paid in base period = **\$7,245**

1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Lag Quarter	Filing Quarter
Employer A	Employer B	Employer B and C B = \$440 C = \$2,500	Employer C and D C = \$750 D = \$1,300		Employer D
\$1,500	\$755				\$950

We find total base period wages of \$7,245.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

Total wages paid in base period = \$7,245

Employer A's \$1,500 = 20.7%

1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Lag Quarter	Filing Quarter
Employer A	Employer B	Employer B and C B = \$440 C = \$2,500	Employer C and D C = \$750 D = \$1,300		Employer D
\$1,500	\$755				\$950

Dividing Employer A's wage payment of \$1,500 by the \$7,245 of base period wages paid by all base period employers during the base period, we find that Employer A paid 20.7% of base period wages.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

Total wages paid in base period = \$7,245

Employer B's \$755 + \$440 = 16.5%

1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Lag Quarter	Filing Quarter
Employer A	Employer B	Employer B and C B = \$440 C = \$2,500	Employer C and D C = \$750 D = \$1,300		Employer D
\$1,500	\$755				\$950

And that adding together wages paid by Employer B during the second and third quarters, Employer B paid 16.5% of this claimant's base period wages.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

Total wages paid in base period = **\$7,245**

Employer C's \$2,500 + \$750 = 44.9%

1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Lag Quarter	Filing Quarter
Employer A	Employer B	Employer B and C B = \$440 C = \$2,500	Employer C and D C = \$750 D = \$1,300		Employer D
\$1,500	\$755				\$950

And that Employer C paid 44.9% of this claimant's base period wages.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

Total wages paid in base period = \$7,245

Employer D's \$1,300 = 17.9%

1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Lag Quarter	Filing Quarter
Employer A	Employer B	Employer B and C B = \$440 C = \$2,500	Employer C and D C = \$750 D = \$1,300		Employer D
\$1,500	\$755				\$950

And counting only base period and not lag quarter or filing quarter wages paid by Employer D, Employer D paid 17.9% of this claimant's base period wages.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

If the claimant's weekly benefit amount is:

\$250

Then Employer D is charged:

\$250 a week for each of the first 2 weeks

+

\$250 x 17.9% = \$44.75

for each remaining week

Employer D (along with each of the other base period employers) is charged their pro rata share of the claimant's weekly \$250 benefit payment. In the case of Employer D, their 17.9% of the claimant's \$250 weekly benefit payment works out to a charge to Employer D's account of \$44.75.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

If the claimant's weekly benefit amount is:

\$250

Then Employer A is charged:

$$\textbf{\$250} \times \textbf{20.7\%} = \textbf{\$51.75}$$

for each week beginning with week 3

Employer A's charge beginning with the third week of the claim is 20.7% of the claimant's \$250 weekly benefit payment, which works out to \$51.75.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

If the claimant's weekly benefit amount is:

\$250

Then Employer B is charged:

$$\text{\$250} \times 16.5\% = \text{\$41.25}$$

for each week beginning with week 3

Employer B's weekly share is \$41.25.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

If the claimant's weekly benefit amount is:

\$250

Then Employer C is charged:

$$\textbf{\$250 x 44.9\% = \$112.25}$$

for each week beginning with week 3

And Employer C's share is \$112.25.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

So, the Separating Employer (Employer D) is charged 100% of the benefit payments (\$250) for each of the first two weeks of benefits

Again, Employer D is charged 100% of the first two weeks of benefits because they are the Separating Employer. Beginning with the third week of the Claim, Employer D is chargeable as a base period employer for their pro rata share along with the other base period employers.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

Beginning with the third week of the claim, the benefit charges to each employer are:

Employer A	20.7%	\$51.75
Employer B	16.5%	\$41.25
Employer C	44.9%	\$112.25
Employer D	17.9%	\$44.75

So here's a summary of what each base period employer's share of benefit charges will be, beginning with the third week of the claim.

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In this example, the claimant will be entitled to a total of 14 weeks of benefits.

In this example, let's assume the worker was entitled to 14 weeks of benefits.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

So the maximum possible amount chargeable to each employer on this claim is:

Employer A	\$51.75	x 12 = \$	621.00
Employer B	\$41.25	x 12 = \$	495.00
Employer C	\$112.25	x 12 = \$	1,347.00
Employer D	\$44.75	x 12 = \$	537.00
Employer D	\$250.00	x 2 = \$	500.00

Notice that for each of the base period employers we multiplied the weekly benefit charge by 12, rather than by 14, because the base period employers only start to be charged for benefits during the third payable week. But in the case of Employer D, who is also the Separating Employer, we charge 100% of the first two weeks of benefits, which is \$250 per week.

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Extensions of Unemployment Benefits

Emergency Unemployment Compensation (EUC)

There is no charge to an employer's account. These benefits are 100% federally funded.

Because these benefits are 100% federally funded, no Michigan employer's account is charged for these benefits.

HOW AN EMPLOYER'S ACCOUNT IS CHARGED

Extensions of Unemployment Benefits

Federal-State Extended Unemployment Compensation (EB)

Through 2011 and 2012 these benefits have been 100% federally funded, except for governmental entities. Extended Benefits ended in Michigan in February, 2012.

Extended Benefits (EB) was last paid in Michigan in February, 2012. It was 100% federally funded in 2011 and 2012, except for governmental entities which were charged for full amount of Extended Benefits paid to their former workers.